

Honorable Wilbur D. Mills
Chairman, Committee on Ways and Means
House of Representatives
Washington 25, D. C.

Dear Chairman Mills:

Now that the House Committee on Armed Services has favorably reported H. R. 8427 we would like to bring to your attention the deletion in the clean bill of the proposed amendment to the Internal Revenue Code. As you will recall, our original bill, H. R. 7216, included an amendment to paragraph 4 of section 104 (a) of the Internal Revenue Code of 1954 which would exclude from gross income amounts received as annuities by certain disabled CIA employees. In the course of hearings, the Committee on Armed Services deemed it best to delete this provision on the basis that the Ways and Means Committee had not completed action thereon. Since H. R. 8427 is so closely patterned after the Foreign Service Retirement System and parallels its provisions in every other respect, equity would indicate that disabled CIA employees covered by this bill be accorded tax treatment similar to that already provided for disabled Foreign Service Officers. Thus, we believe this provision should be reinserted.

The retirement system established by this bill covers only those CIA employees engaged in the conduct and support of intelligence activities abroad. Many of these individuals are serving under field conditions in various quarters of the world which approximate those to which members of our Armed Forces are exposed. In addition, all these employees are obligated to serve anywhere in the world on a 24-hour day basis under debilitating influences--climatic and otherwise--identical to those faced by Foreign Service Officers. Such conditions of service and exposure to all types of adversity abroad were significant factors in the development of the concept embodied in section 104 (a) (4) of the Internal Revenue Code: that disabling injuries or illnesses sustained by members of our Armed

Forces or Foreign Service are sufficiently work-connected to warrant the exclusion from gross income of annuities payable on account thereof. This policy applies as well to the Agency employees covered by this bill.

Since floor action is possible in the very near future, we would appreciate an opportunity to discuss this matter with you.

Sincerely,

**John S. Warner
Legislative Counsel**

**cc: Honorable Stanley S. Surrey
Assistant Secretary
Treasury Department
Washington, D. C.**

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